VALUATION POLICY

Version No	Particulars	Department/Team	Approver	Approval Date
1	VALUATION POLICY	OPERATIONS	Board of AMC Board of Trustees	Dec 05, 2024 Dec 05, 2024
1.1	VALUATION POLICY	OPERATIONS	Board of AMC Board of Trustees	Feb 19, 2025 Feb 19, 2025
1.2	VALUATION POLICY	OPERATIONS	Board of AMC Board of Trustees	Apr 28, 2026 Apr 29, 2026

Valuation Policy

The Fund shall value its investments according to the valuation norms, as specified in the Eighth Schedule of the Regulations, or such guidelines / recommendations as may be specified by SEBI/AMFI from time to time.

1. Introduction

Regulation 22 (9) (b) and Seventh schedule to the SEBI (Mutual Funds) Regulations, 2026, read with chapter 10 of SEBI Master Circular for Mutual Funds dated March 20, 2026, ("SEBI Master Circular") provides the principles of Fair Valuation of securities by the mutual funds, which governs the valuation policy adopted by Unifi Mutual Fund, along with the various circulars issued by the SEBI from time to time.

The Regulations require that mutual funds shall value their investments in accordance with the principles of fair valuations. It further prescribes that the valuation shall be reflective of the realizable value of the securities and should take into consideration prices of the same security or similar security reported on all available public platforms.

The valuation shall be done in good faith and in a true and fair manner through appropriate valuation policies and procedures including dealing with exceptional events, duly approved by the Board of Asset Management Company.

The Regulation also states that in case of any conflict between the principles of fair valuation and valuation guidelines as per Seventh schedule and circulars issued by SEBI, the principles of fair valuation shall prevail. AMC / Sponsor shall be liable to compensate investors / schemes for any unfair treatment to any investor as a result of inappropriate valuation.

The purpose of the Valuation Policy is primarily to:

- Describe the methodologies for valuing each type of security held by the schemes.
- Ensure that securities are valued accurately and consistently as per approved methodology.
- Ensure the appropriateness and accuracy of the methodologies used.
- Describe the process to deal with the exceptional events;
- Address conflict of interest.
- Set a process to detect and prevent incorrect valuation.
- Ensure transparency by making appropriate disclosures.

2. Valuation Policies and Procedures

Unifi Mutual Fund shall value its investments in accordance with the overarching principles of fair valuation as enshrined above. The methodologies for each type of security held by the schemes are provided in **Annexure A**.

Investment in any new type of security shall be made only after establishment of the valuation methodology for such security with the approval of the Board of the AMC.

All inter-scheme transactions in debt and money market securities (incl. government securities) shall be priced at an average security level prices obtained from valuation agencies, currently CRISIL and ICRA.

Waterfall Mechanism for valuation of money market and debt securities to be used by valuation agencies and guidelines issued by AMFI on polling process for money market and debt securities is provided in **Annexure B.**

3. Exceptional events

In case of exceptional events, the process and methodologies as determined by the Valuation Committee shall be considered. Given the dynamic nature of the markets, defining standard processes and procedures for handling exceptional events may not be appropriate.

The illustrative list of exceptional events is as under:

- Policy announcements by the Reserve Bank of India (RBI), the Government or any Regulatory/ Industry body for e.g. SEBI, AMFI etc.
- Significant volatility in the securities markets
- Market Illiquidity
- War or natural disasters or public disturbances that force the markets to close unexpectedly;
- Valuation agencies do not provide valuation for securities.
- Any other event considered exceptional by the Valuation Committee

4. Conflict of Interest

If any situation arises that leads to conflict of interest, the same shall be raised to the Valuation Committee and the Committee shall address the same such that the valuation provides for fair treatment to all investors. In the normal course of business, so long as the standard valuation policies are adopted, no conflict-of-interest issue arises. The valuation committee, if needed, may recommend changes in the policy/methodology. The same shall be ratified by the Board of AMC and Trustees.

5. Deviation

Investments shall be valued as per the methodologies mentioned in this Policy, which aim to enable true and fair valuation of securities. However, if the valuation of any particular security does not result in fair / appropriate valuation or under exceptional circumstances, the Valuation Committee would have the right to deviate from the established policies in order to value the security at fair / appropriate value. Deviations from the valuation policy, if any, will be informed to the AMC and Trustee Board and will be communicated to the investors vide appropriate disclosures on the Mutual Fund's website.

6. Detection & Prevention of Incorrect Valuation

The Internal auditor will review the valuation policy and process of valuation of securities in order to detect & prevent incorrect valuation periodically.

7. Disclosure and Record keeping

In order to ensure transparency of valuation norms by Unifi Asset Management Private Limited, the valuation policy and procedures shall be disclosed in the Statement of Additional Information (SAI) and on the website.

All the documents which form the basis of valuation shall be maintained in electronic or physical form. These records shall be preserved in accordance with the norms prescribed by the SEBI Regulations and guidelines.

8. Periodic Review

The valuation committee shall update the Board of AMC and Board of Trustee, on the effectiveness of the methodologies and deviations or incorrect valuations at least every quarter, if any. It shall also be reviewed periodically by the internal auditors and annually by the independent auditors to ensure appropriateness.

Valuation Policy shall be updated upon changes in the Regulations/Practices, pand such changes shall be approved by the Valuation Committee.

The valuation committee of the AMC is constituted as follows:

(a) Chief Executive Officer
(b) Chief Investment Officer
(c) Fund Manager (Equity)
(d) Fund Manager (Debt)
(e) Chief Compliance Officer
(f) Head – Operations
(g) Chief Risk Officer

Annexure A

A. Equity and Related Instruments

1. Traded Securities- Equity and Equity Related Securities (Including Redeemable Preference shares and Cumulative Convertible Preference Share (CCPS), Partly Paid-up Equity Shares, Rights& Warrants)

On the valuation day, at the last quoted closing price on the National Stock Exchange (NSE) or Bombay Stock Exchange, where such security is listed. NSE is the Principal Stock Exchange for the purpose of our valuation. If the stock is not traded / quoted on NSE, then the last quoted closing price of BSE or any other stock exchange will be considered.

When a security is not traded on any stock exchange on a particular valuation day, the value at which it was traded on NSE or BSE or any other stock exchange, as the case may be, on the earliest previous day may be used provided such date is not more than thirty days prior to the valuation date.

2. Non- Traded Securities

(i) <u>Securities not traded for more than 30 days:</u>

a. Equity Shares – Valuation price will be in accordance with the SEBI norms i.e. valuation will be computed on the basis of average of book value [i.e Net worth per share – (Share capital+reserves-revaluation reserve-Misc. Expenditures and Debit balance of P&L a/c) divided by No. of paid up shares] and the price computed on the basis of PE ratio (25% of the Industry PE Ratio based on NSE or BSE data) and further discount of 10% for illiquidity.

In case the EPS is negative, it shall be taken as zero for deriving the capitalized earning. In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of the company shall be valued at zero. Further, if such security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed by Board of Trustee for the valuation of the security. To determine the exposure of 5%, the security shall be valued as per the above procedure.

b. Partly Paid Equity Shares shall be valued at underlying equity share price as reduced by the balance call money payable.

c. Preference Shares: Intrinsic Value will be considered subject to illiquidity discount;

(ii) Equity Warrants/Rights Entitlement/Partly paid-up rights shares:

<u>1. For Equity Warrants</u>:

Valuation price will be arrived, after applying appropriate discount (valuation committee delegated power to decide the discounting factor) after reducing the exercise price/issuance price from the closing of the underlying cash equity security.

<u>2. Rights Entitlement</u>:

Until they are traded, the value of the rights entitlement shall be calculated as

Vr = n/m * (Pex-Pof)

Where

Vr = Value of Rights;

n= no. of rights;

m=no. of original shares held;
Pex=Ex-rights price;
Pof = Rights Offer Price.

In case the Rights Offer Price is greater than the ex-rights price, the value of the rights entitlement shall be taken as zero.

The Rights entitlement shall be valued at closing price of in accordance with point 1 if listed.

3. Warrants:

In respect of warrants to subscribe for shares attached to instruments, the warrants will be valued at the value of the share which would be obtained on exercise of the warrant as reduced by the amount which would be payable on exercise of the warrant. The value of warrant = (Value of underlying shares-exercise price). Appropriate illiquidity discount will be applied to account for the period which must elapse before the warrant can be exercised. If the amount payable on exercise is higher than the value of the share, the value of the warrant should be taken as zero.

4. *Partly Paid-up Share*:

If the partly paid-up share is not traded on any stock exchange on the date of valuation, then it should be valued at the price derived after reducing the uncalled amount from the Closing price of underlying fully paid-up share. Further Valuation Committee to decide on application of illiquidity discount as deemed appropriate on case-to-case basis.

iii) *Demerger*:

Where at least one resultant company is not immediately listed, valuation price will be worked out by using cum-price before demerger reduced for quoted price of the listed demerged and/or resultant company(ies) or in case of demerger pending listing, the resultant company/ies shall be valued at the intrinsic value arrived at on the date of corporate action. Alternatively, an independent valuation of the security by any Market Participant, (a repute brokers) shall be obtained.In case there are two or more unlisted entities resulting due to demerger, then the market value of shares of unlisted entity arrived as above will be allocated to the resulting entities in the ratio of cost of shares till they are listed and traded on a stock exchange. The cost price of new entity/entities would be derived proportionately from the cost price of parent entity.
If a company provides any method/ratio for cost allocation as part of a scheme of arrangement, the same will be considered.

If the resultant companies remained unlisted for more than 3 months, the Valuation Committee to decide on application of illiquidity discount as deemed appropriate, on case-to-case basis."

iv) *Merger*:

"Valuation of a resulting company would be determined by valuation of merging or amalgamating company immediately prior to the ex-date of merger or amalgamation.
(a) In case, merging or amalgamating companies being listed, the valuation of resulting companies would be summation of valuation of entities immediately prior to merger date; further if listed company merges into an unlisted surviving company, then the surviving company would be valued at the traded value of merging company immediately before merger; For example: 1. If company A and B merged to form a new company C, then company C would be value at the price equals to A+B; 2. If company A which is a listed company merges into Company B which is unlisted, would be valued at traded price of A immediately before

merger; (b) In case one of the merging or amalgamating companies being unlisted, valuation of resulting companies would be valued on the principles of fair valuation as guided by the valuation committee. If the above companies are unlisted for more than 3 months, valuation committee shall decide on application of illiquidity discount on case-to-case basis."

3. Thinly Traded Securities

When trading in an equity/equity related security in a calendar month is both less than INR 5 lacs and the total volume (i.e. trades on all recognized stock exchanges in India) is less than 50,000 shares, it shall be considered as a thinly traded security. Valuation will be computed on the basis of average of book value and the price computed on the basis of the PE Ratio with appropriate discount to Industry PE) further discounted for illiquidity.

4. Unlisted Securities (excluding instruments pending for listing)

As per the MF Regulations, schemes of Unifi Mutual Fund will invest only in listed or to be listed equity and equity related instruments. However, if unlisted equity shares are received / allotted pursuant to scheme of arrangement and / or resolution plan approved under insolvency proceedings or any other corporate action / circumstances, then the unlisted equity shares will be valued "in good faith" on the basis of the valuation principles laid down below:

a. Based on the latest available audited balance sheet, net worth shall be calculated as lower of (i) and (ii) below:

i. Net worth per share = [share capital plus free reserves (excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by Number of Paid-up Shares.

ii. After taking into account the outstanding warrants and options, Net worth per share shall again be calculated and shall be = [share capital plus consideration on exercise of Option/Warrants received/receivable by the Company plus free reserves(excluding revaluation reserves) minus Miscellaneous expenditure not written off or deferred revenue expenditure, intangible assets and accumulated losses] divided by {Number of Paid up Shares plus Number of Shares that would be obtained on conversion/exercise of Outstanding Warrants and Options}.

The lower of (i) and (ii) above shall be used for calculation of net worth per share and for further calculation in (c) below.

b. Average capitalisation rate (P/E ratio) for the industry based upon either BSE or NSE data (which should be followed consistently and changes, if any, noted with proper justification thereof) shall be taken and discounted by 75% i.e. only 25% of the Industry average P/E shall be taken as capitalisation rate (P/E ratio). Earnings per share of the latest audited annual accounts will be considered for this purpose.

c. The value as per the net worth value per share and the capital earning value calculated as above shall be averaged and further discounted by 15% for illiquidity so as to arrive at the fair value per share.

The above methodology for valuation shall be subject to the following conditions:

All calculations as aforesaid shall be based on audited accounts.

In case where the latest balance sheet of the company is not available within nine months from the close of the year, unless the accounting year is changed, the shares of such companies shall be valued at zero.

iii. If the net worth of the company is negative, the share would be marked down to zero.

iv. In case the EPS is negative, EPS value for that year shall be taken as zero for arriving at capitalised earning.

In case an individual security accounts for more than 5% of the total assets of the scheme, an independent valuer shall be appointed for the valuation of the said security. To determine if a security accounts for more than 5% of the total assets of the scheme, it should be valued in accordance with the procedure as mentioned above on the date of valuation.

vi. At the discretion of the AMC and with the approval of the trustees, an unlisted equity share may be valued at a price lower than the value derived using the

aforesaid methodology.
5. Valuation of Illiquid Securities
Aggregate value of "illiquid securities" under a scheme which are defined as non-traded, thinly traded and unlisted equity shares, shall not exceed 15% of the total assets of the scheme and any illiquid securities held above 15% of the total assets shall be assigned as zero value.
6. **Lock in Shares**
In case of Equity share under lock in for more than 3 months from the date of purchase / allotment, which are traded on the stock exchanges, Unifi AMC may apply appropriate discount to the closing price quoted on the stock exchange as may be decided by the Valuation Committee on a case to case basis.
7. Application Money for Primary Market Issue
Application money for primary market issue should be valued at cost upto 30 days from the closure of the issue and/or allotment. If the security is not listed within 30 days from the date of closure or allotment, application money is to be valued as per the direction of valuation committee.
8. Suspended Security
In case trading in an equity security is suspended upto 30 days, then the last traded price would be considered for valuation of the security. If an equity security remains suspended for trading on the stock exchanges more than 30 days, then it would be valued as Non-traded security.
9. **Inter Scheme Transfer**
Inter-scheme would be done at the Price of the security prevailing on the NSE, primary stock exchange at the time of effecting the transfer. If not traded on the primary stock exchange, the closing price of other stock exchange (BSE) will be considered.
10. Derivatives – Futures and Options (traded/non-traded)
On the valuation day, at the settlement price provided by the respective Stock Exchanges.
11. Qualified Institutional Placement (QIP) / Follow on Public Offer (FPO)/ Initial Public offer
In case of QIP and FPO recognition and valuation would start from the date of allotment. In case of IPO the security would be valued at cost from the date of allotment till a day prior to listing and on last quoted closing price (as mentioned above under Traded criteria) from the day of listing.
12. Convertible Debentures
In respect of convertible debentures and bonds, the non-convertible and convertible components shall be valued separately. The non-convertible component (Debt) should be valued on the same basis as would be applicable to a debt instrument. The convertible component (Equity) should be valued on the same basis as would be applicable to an equity instrument/equity derivative. If, after conversion the resultant equity instrument would be traded pari passu with an existing equity instrument which is traded, the value of the latter instrument can be arrived at after an appropriate discount for non-tradability, time value, volatility etc. of the equity instrument during the period preceding the conversion. While valuing such instruments, the fact whether the conversion is optional should also be factored in.
13. Compulsory Convertible Debentures (CCDs)
Until listing, if prices are not available from AMFI approved valuation agencies, it will be valued at cost and appropriate illiquidity discount maybe provided. On listing, valuation will be at the last quoted closing price on NSE. Where the security is not traded on the NSE on a valuation date, the last quoted closing price on BSE may be used. If the security is not traded on both NSE and BSE on a valuation date and the prices are received from valuation agencies, the average prices provided by the agencies will be used. In case the security is not traded for more than 30 days and prices of approved agencies are not available, CCDs will be valued at fair value as per procedures given below: (i) Each CCD shall be converted into such number of Equity shares based on

the conversion price arrived in accordance with the offer documents.

(ii) In case the CCD has two components viz., one component having bond carrying a coupon rate and second component having an embedded forward contract for compulsory conversion into equity, at a pre-determine formulae, linked to the underlying price of the stock on the exchange, the valuation derived would be a summation of the bond valuation and the Net Present Value (NPV) of the gain/loss on the embedded forward contract for conversion into equity shares.

(iii) **Valuation of Bonds:** The same will be valued as per the framework for debt securities/instruments provided by AMFI until the prices are provided by the valuation agencies.

(iv) **Valuation of Embedded forward contract for equity conversion:** The embedded forward contract has three elements – time value, price movement of the underlying stock and illiquidity risk. The time value (NPV) is the discounting factor, as derived from the bond valuations from valuation agencies.

(v) In case the conversion is scheduled after completion of specified period/years as mentioned in the offer documents, the value arrived will be reduced by appropriate illiquidity discount on the gain, if any, as may be specified by SEBI under the applicable guidelines or as may be decided by valuation committee.

The valuation committee may exercise it discretion to value the security at a conservative value i.e. at cost or as per the above methodology whichever is lower to ensure fair valuation.

B. Fixed Income and related securities

Security level prices provided by Valuation Agencies will be used for valuation of debt and money market instruments. AMFI has designated CRISIL Ltd ('CRISIL') and ICRA Analytics Limited ('ICRA') as valuation agencies. The detailed guidelines for valuation of debt and money market instruments are as under:

1. **Valuation of all Debt and Money Market Instruments excluding Overnight Repo**

1. Securities, [including Government Securities, Treasury Bills, Cash Management Bills, State Development bonds etc., Reverse Repo, Corporate Debt Repo, TREPS], shall be valued at average of the security level prices provided by valuation agencies. In case security level prices are not given by valuation agencies, then such securities will be valued at weighted average purchase yield on the date of allotment / purchase.

2. **Valuation of Securities with Put/Call Options**

The options embedded securities would be valued as follows:

(a) Securities with Call option

The securities with call option shall be valued at the lower of the value as obtained by valuing the security to final maturity and valuing the security to call option. In case there are multiple call options, the lowest value obtained by valuing to the various call dates and valuing to the maturity is to be taken as the value of the instrument.

In case of AT1 Bonds, the 'yield to call' would only be considered as per para 10.3 of SEBI Master circular.

(b) Securities with Put Option

The securities with put option shall be valued at the higher of the value as obtained by valuing the security to final maturity and valuing the security to put option. In case there are multiple put options, the higher value obtained by valuing to the various put dates and valuing to the maturity is to be taken as the value of the instrument.

(c) Securities with both put/call option

The securities with both put and call option on the same day and having the same put and call price, shall be deemed to mature on that day and valued accordingly.

In all other cases, the cash flow of each put/call option shall be evaluated and the security shall be valued on the following basis:

(1) Identify the 'put trigger date', a date on which 'price to put option' is the highest when compared with price to other put options and maturity price.

(2) Identify a 'call trigger date', a date on which 'price to call option' is the lowest when compared with price to other call options and maturity date.

(3) In case no Put Trigger Date or Call Trigger Date is available, then valuation would be done to maturity price. In case one Trigger is available, then valuation would be done as to the said trigger date. In case both trigger dates are available, then valuation would be done to the earliest date.

If the put option is not exercised, by a mutual fund when exercising such put option would have been in favour of the scheme, in such cases the justification for not exercising the put option shall be provided to the Board of AMC and Trustees.

In respect of valuation of securities with multiple put options present ab-initio wherein put option is factored into valuation of the security by the valuation agency, If the put option is not exercised by a Mutual Fund, while exercising the put option would have been in favour of the scheme;

1. A justification for not exercising the put option shall be provided by the Unifi MF to the Valuation Agencies, Board of AMC and Trustees on or before the last date of the notice period.

2. The Valuation Agencies shall not take into account the remaining put options for the purpose of valuation of the security.

The put option shall be considered as 'in favour of the scheme' if the yield of the valuation price ignoring the put option under evaluation is more than the contractual yield/coupon rate by 30 basis points.

Note: It is clarified that the maturity of perpetual bonds (Other than bonds issued under Basel III framework) shall be treated as 100 years from the date of issuance of the bond for the purpose of valuation.

3. **Valuation of money market and debt securities classified as below investment grade or default.**

All money market and debt securities which are rated below investment grade as defined under para 10.1.3. of SEBI Master circular shall be valued at the average of the security level price provided by valuation agencies.

Till such time the valuation agencies compute the valuation of money market and debt securities classified as below investment grade, such securities shall be valued by the valuation agencies on the basis of indicative haircuts. These indicative haircuts shall be applied on the date of credit event i.e. migration of the security to sub-investment grade and shall continue till the valuation agencies compute the valuation price of such securities. The indicative hair cut shall also be applied to any accrued interest also. (the indicative haircut communicated by AMFI vide its communication dated April 30, 2019 is given as Note A below).

If security is traded, it will be valued at lower of weighted average traded price available on public platform or average of the security level price provided by valuation agencies.

In case of trades after the valuation price is computed by the Valuation Agencies as referred above and where the traded price is lower than such computed

price, such traded price shall be considered for the purpose of valuation and the valuation price may be revised accordingly.

The trades referred above shall be of a minimum size as determined by valuation agencies.

In absence of the above information the valuation shall be arrived at basis guidance from Valuation Committee. In case of any deviation from the valuation price for money market and debt securities rated below investment grade provided by the valuation agencies, AMC shall follow the procedure as mentioned in para 10.2.3 of SEBI Master Circular

Treatment of Future Recovery

Any recovery shall be adjusted against the accrued interest recognized in the NAV and any balance shall be adjusted against the value of principal recognized in the NAV. Any recovery in excess of the carried value (i.e. the value recognized in NAV) should then be applied first towards amount of interest written off and then towards amount of principal written off.

4. Interest Rate Futures

The exchange traded Interest Rate Futures would be valued based on the Daily settlement Price or any other derived price provided by the exchange

5. Interest Rate Swaps and other Debt OTC Derivatives

Valuation would be done at average of Price provided by valuation agencies. In absence of Price from valuation agencies, valuation shall be arrived at basis guidance from Valuation Committee.

6. Market Linked Debentures

Valuation would be done at average of Price provided by valuation agencies. In absence of Price from valuation agencies, valuation shall be arrived at basis guidance from Valuation Committee.

7. Bank Fixed Deposits and Overnight Repos/TREPS

Investment in short-term deposits with banks (pending deployment) and overnight repos/TREPS shall be valued on cost plus accrual basis.

8. Partly Paid Debentures: As Per AMFI Best practice guidelines dated July 26, 2024 following are the guidelines on Investment in Partly Paid debentures:

1. Mutual Fund schemes shall make investment in partly paid debentures only when payment of the remaining amount is linked to clear, pre-defined events (i.e. is subject to conditions precedent). For avoidance of doubt any event which is purely time based shall not be considered as a pre-defined event. Such conditions precedent should be clearly outlined in the Agreement for subscription of the debentures / Offer Document for the issue, as the case may be. Conditions precedent mean the clearly defined obligations / events that need to be fulfilled before calling upon the investor to make payment for the remaining portion of the subscription. Such obligations/ events, to name a few, could include achievement of certain milestones linked with the object for which the debentures were issued or linked to the enhancement of credit rating of the Issuer or linked to other financial or operating parameters of the Issuer or linked to the happening of an event. AMCs shall not resort to the practice of investing in partly paid debentures without any condition precedent.

2. There should not be any linkages across schemes while investing in partly paid debentures. For example: if the agreement for partly paid debentures also envisages investment in any other type of instrument such as a commercial paper then the AMC should ensure that subscription to the residual part of the issue/ the investment in the other instrument is made by the scheme which made the original investment in partly paid debentures.

3. While investing in partly paid debentures, AMCs shall ensure that interest of one set of unitholders/ schemes is not compromised at the cost of another.

4. All regulatory limits have to be complied with at the time of each such part payment.

5. In order to avoid a situation where a MF scheme is unable to honour future part payments, AMCs should avoid excessive concentration in partly paid debentures.

6. Any investment in partly paid debentures has to be disclosed in the monthly portfolio disclosures of the scheme. This should include, inter-alia, the amount that has been contracted but not yet paid by the scheme, the dates of such future pay-ins, triggers for future pay-ins as well as any other detail that in the fund house's view may be of material interest to its investors.

7. Investment is Partly Paid Debenture is subject to a cap on maximum investment of Mutual Fund Scheme at 5% of the AUM of the scheme. However, once the Partly Paid Debentures are fully paid up, the cap on maximum investment of Mutual Fund Scheme at 5% of the AUM of the scheme will not apply.

8. **Methodology for valuation of partly paid debentures**

(a) Price calculation:

Cash flows are plotted using the details provided in the term sheet. The same is then discounted using YTM derived for that particular ISIN. Prices are sent on face value of Rs 100 (when fully paid), and as per actual paid up value as per valuation date. Cash flows are plotted till actual maturity or deemed maturity (explicit put call option on same date and same value). Two types of securities are available:

a. Pay-in dates and pay-in values are clearly defined – In such case future pay-ins are plotted as per details available in term sheet.

b. Pay in dates and pay in values are not clearly defined or are linked to occurrence of some event or is optional linked to on demand from issuer/investor for making such pay-ins – In such case, since pay-in dates/pay-in values can't be estimated, such future pay-ins are factored on actual basis on receipt of information. (Mutual Funds cannot buy these PPDs as per the AMFI Best Practices Guidelines circular no. 83 dt. 18-Nov-2019 which is clarified in point no 1 as AMCs shall not resort to the practice of investing in partly paid debentures without any condition precedent.)

(b) Yield Calculation:

Yields for the ISIN are derived on a daily basis using the standard waterfall approach prescribed for corporate bonds. Definitions of similar maturity, similar issuer, outlier security remains same as other normal securities.

9. AT-1 and Tier 2 issued under Basel III framework.

AT-1 and Tier 2 bonds will be valuated at average of the security level prices provided the valuation agencies. For arriving at security level pricing, waterfall approach to be following by valuation agencies is provided as **Annexure C**.

10. Waterfall Mechanism for Valuation of money market and debt and government securities

Para 10.2.3 of SEBI Master Circular has laid down broad principles for waterfall approach to be followed for valuation of debt, money market and government securities. The said circular prescribes AMFI shall ensure valuation agencies have a documented waterfall approach for valuation of Debt & money market securities.

The AMFI best practices guidelines circular (135/BP/83/2019-20) dated November 18, 2019 provided guidelines on waterfall approach to be followed for valuation money market and debt securities. The waterfall approach is documented in **Annexure B**.

11. Changes in the Terms of Investment

While making any change to terms of an investment, AMC shall adhere to the following conditions:

1. Any changes to the terms of investment, including extension in the maturity of a money market or debt security, shall be reported to valuation agencies and SEBI registered Credit Rating Agencies (CRAs) immediately, along-with reasons for such changes.

2. Any extension in the maturity of a money market or debt security shall result

in the security being treated as “Default”, for the purpose of valuation. 3. If the maturity date of a money market or debt security is shortened and then subsequently extended, the security shall be treated as “Default” for the purpose of valuation. 4. Any put option inserted subsequent to the issuance of the security shall not be considered for the purpose of valuation and original terms of the issue will be considered for valuation.
12. Valuation of securities not covered under the current valuation policy. 1. In case of securities purchased by the mutual fund do not fall within the current framework of the valuation of securities then the mutual fund shall report immediately to AMFI regarding the same. Further, at the time of investment AMC shall ensure that the total exposure in such securities does not exceed 5% of the total AUM of the scheme. 2. AMFI has been advised that the valuation agencies should ensure that the valuation of such securities gets covered in the valuation framework within six weeks from the date of receipt of such intimation from mutual fund. 3. In the interim period, till AMFI makes provisions to cover such securities in the valuation of securities framework, the AMC shall value such securities using their proprietary model which has been approved by their independent trustees and the statutory auditors.
13. Treatment of Upfront Fees on Trades As Per AMFI Best practice guidelines dated November 18, 2019, following are the guidelines on Upfront Fees on Trades: 1. Upfront fees on all trades (including primary market trades), by whatever name and manner called, would be considered by the valuation agencies for the purpose of valuation of security. 2. Details of such upfront fees should be shared by the AMC on the trade date to the valuation agencies as part of the trade reporting to enable them to arrive at the fair valuation for that date. 3. For accounting, such upfront fees should be reduced from the cost of the investment in the scheme that made the investment. 4. In case upfront fees are received across multiple schemes, then such upfront fees should be shared on a pro-rata basis across such schemes.
14. Deviations where the prices given by Valuation Agencies are not considered for valuation. In case AMC decides to deviate from the valuation prices or indicative haircut given by the Valuation Agencies, the detailed rationale for each instance of deviation shall be recorded by the AMC. The rationale for deviation along-with details such as information about the security (ISIN, issuer name, rating etc.), price at which the security was valued vis-a-vis the price as per the Valuation Agencies and the impact of such deviation on scheme NAV (in amount and percentage terms) shall be reported to the Board of AMC and Trustees. The rationale for deviation along-with details mentioned above shall be disclosed immediately and prominently, under a separate head on website of AMC. Further, while disclosing the total number of instances of deviation in the monthly and half-yearly portfolio statements. AMC shall also provide the exact link to the website for accessing the information mentioned above

Note A: The indicative hair communicated by AMFI is as under:

1. Haircuts for senior, secured securities (indicative & subject to change by valuation agencies)

Rating/ Sector	Infrastructure, Real estate, Hotels, Loan against shares & Hospitals	Other Manufacturing and Financial Institutions	Trading, Gems & Jewellery and others
BB	15%	20%	25%
B	25%	40%	50%

C	35%	55%	70%
D	50%	75%	100%

2. Haircuts on subordinated and unsecured (or both) securities (indicative & subject to change by valuation agencies)

Rating/ Sector	Infrastructure, Real estate, Hotels, Loan against shares & Hospitals	Other Manufacturing & Financial Institutions	Trading, Gems & Jewellery and others
BB	25%	25%	25%
B	50%	50%	50%
C	70%	70%	70%
D	100%	100%	100%

C. Foreign Securities including ADR/GDR [excluding valuation of units of overseas mutual funds and units of overseas Exchange Traded Funds (ETFS)]

a) **Traded Securities**

Foreign security shall be valued based on the last quoted closing price available on the overseas stock exchange, where the security is listed, on multiple exchanges, price of the primary stock exchange in the respective jurisdiction would be considered for valuation.

When a security is not traded on stock exchange on the date of valuation, then the previous closing price will be used for valuation, provided such closing price is not exceeding a period of 30 calendar days.

However, in case of an extra ordinary event in other markets during the market hours or post the closure of the markets but before NAV computation, the AMC shall value the security at suitable fair value as determined by the Valuation Committee on a case-to-case basis. Further the valuation committee reserves right to suitably modify the defined priority or valuation methodology by documenting rationale for exception to the above defined policy.

On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the reference rate available on FBIL.'s (Financial Benchmarks India Pvt Ltd) website as at the close of banking hours on the relevant business day in India.

b) **Non-traded Securities**

Where the security is not traded, on the date of valuation, on any of the exchanges the last quoted closing price on the selected / primary stock exchange shall be used provided such date is not more than thirty days prior to the valuation date. Securities not traded for more than thirty days shall be valued by AMC at fair value after considering relevant factors on case-to-case basis.
On valuation date, all assets and liabilities in foreign currency shall be valued in Indian Rupees at the reference rate available on FBIL.'s (Financial Benchmarks India Pvt Ltd) website as at the close of banking hours on the relevant business day in India.

D. Investment in Mutual Funds (including ETFs) and corporate debt Market Development Fund of India

1. **Domestic Mutual Funds – Units**

As per guidelines issued by AMFI, Mutual Fund Units (including ETF's) listed and traded on exchanges would be valued at the last quoted closing price on the National Stock Exchange (NSE)/ Bombay Stock Exchange (BSE) or other stock exchange, where such security is listed. If not traded on the primary stock exchange, the closing price on the other stock exchange will be considered. NSE will be the primary stock exchange.
Unlisted Mutual Fund Units and listed but not traded Mutual Fund Units (including ETF's)

would be valued at the NAV as on the valuation day. In case if on any valuation day the domestic mutual fund is having a non-business day then previous day closing price / NAV would be considered for valuation.
2. Overseas Mutual Funds – Units
Overseas Mutual Fund Units (including ETF's) listed and traded on exchanges would be valued at the last quoted closing price on the overseas stock exchange, where the security is listed on multiple exchanges, price of the primary stock exchange in the respective jurisdiction would be considered for valuation. Unlisted Mutual Fund Units and listed but not traded Mutual Fund Units (including ETF's) would be valued at the NAV as on the valuation day. In case if on any valuation day the overseas mutual fund is having a non-business day then previous day closing price / NAV would be considered for valuation.
3. **Corporate Debt Market Development Fund**
Units of Corporate Debt Market Development Fund (CDMDF) would be valued at the published NAV as on the valuation day

E. Investments in Real Estate Investment Trust (ReITs) and Infrastructure Investment Trust (InvITs)

a. Allotted but awaiting listing- At allotment price

b. Listed/ Traded/ Non-Traded

ReIT and InvIT are valued at the last quoted closing price at the principal stock exchange.

In case ReIT / InvIT are not traded on the principal stock exchange on a particular date, the closing price at which it is traded on any other stock exchange will be considered. If the traded price is not available, then valuation shall be as per the direction of Valuation Committee.

Investments in ReIT / InvIT shall be valued as follows:

• In case ReIT / InvIT is not being traded on any given day, last traded price would be taken as fair market value provided such last trade is not beyond previous 30 days.
• In case ReIT / InvIT is not being traded for previous 30 days, latest NAV declared by investment manager of ReIT / InvIT trust shall deemed to be the fair price.
• In case valaution committee can establish a case that NAV as published by investment manager of ReIT / InvIT is not representative of fair value than at a price suggested to be fair value.

Notes:

1. Public Platform refers to:

a) Clearcorp F-TRAC Platform of Clearcorp Dealing Systems (India) Ltd. (CDSIL), NSE & BSE:

<u>For Commercial Papers and Certificate of Deposits</u>

Clearcorp F-TRAC Platform of Clearcorp Dealing Systems (India) Ltd. (CDSIL)

<u>For corporate bonds / debentures and securitized debts order of preference for the Public Platforms for consideration would be as follow:</u>

NSE – NSE
BSE - ICDM

b) NDS-OM: For Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc

2. Weighted average YTM / Last Traded YTM shall be rounded up to two digits after decimal point.

3. The valuation of security lent shall be done as per the valuation methodology stated for respective security in Annexure I of this valuation policy. The lending fee received for the security lent would be amortized proportionately, until expiry of the contract.

4. In case of any deviation from the valuation price for money market and debt securities provided by the valuation agencies, AMC shall follow the procedure as mentioned in para 10.2.3 of SEBI Master Circular

Valuation for Inter Scheme Transfer (IST)

Inter-scheme transfer of all debt and money market securities would be done as per the Price provided by valuation agencies for the said purpose.

If Prices from both the valuation agencies are received within the pre-agreed turnaround time (TAT) plus an additional grace time of 30 minutes, an average of the prices so received shall be used for IST.

If Prices from only one valuation agency are received within the agreed TAT plus an additional grace time of 30 minutes, then that Price will be used for IST. In case prices from any of the valuation agencies are received beyond the additional grace time of 30 minutes and are adopted for IST trade, then the same shall be approved by Valuation Committee.

For securities where price is not provided by valuation agencies, the below mentioned approach would be adopted.

For Fixed Income Securities (excluding Government Securities, Treasury Bills, Cash Management Bills, State Development Loans, Ujwal DISCOM Assurance Yojana (UDAY) Bond, etc)

For instruments maturing above 1 year:
For instruments maturing above one year, inter-scheme will be done at the weighted average yield/price of traded securities (excluding IST of others and own trades of Unifi MF) will be considered if there are at least two trades, with each trade being of a minimum of Rs.5 crores face value, aggregating to Rs.25 crores or more for the same or similar security on a public platform*.

For instruments maturing below 1 year:
For instruments maturing below one year, the weighted yield/price of traded securities (excluding IST of others and own trades of Unifi MF) will be taken if there are at least three trades, with each trade being of a minimum of Rs.25 crores face value, aggregating to Rs.100 crores or more for same or similar security on a public platform*.

If there are eligible trades in the same security, the weighted average YTM of these will be considered. If there are no eligible trades in the same security, then weighted average YTM of similar securities will be considered.

Criteria for identifying the similar securities:

Similar security should be identified by the following waterfall logic:
1. Same issuer with maturity date within ± 15 working days of maturity date of security for inter-scheme transfer shall be considered first. If no such instance is available, then Step 2 to be followed: ♣ Example: For inter-scheme transfer of Canara Bank CD maturing on 05-

July-2024, all secondary market trades of Canara Bank CD maturing within 14-Jun-2024 to 26-July-2024 will be considered first.

2. Similar security from a different issuer within the same category (PSU Bank, Private Bank or Financial Institution etc) and having same credit rating, with maturity date within ± 15 days of maturity date of security considered for inter-scheme transfer. ♣ Example: For inter-scheme transfer of Canara Bank CD maturing on 26-July-2024, all secondary market trades of similar public sector bank CDs maturing within 05-July-2024 to 16-Aug-2024 having same credit rating will be considered

** In case of Bank CDs –

- ❖ Issuer of the securities having long term rating of AAA and/or AA+ and short -term rating of A1+ will be considered as comparable.
- ❖ Issuer of the securities having long term rating of AA and/or AA- and short-term rating of A1+ will be considered as comparable.
- ❖ Issuer of the securities having long term rating of A+ and below and short-term rating of A1+ will be considered as comparable.

Criteria for identifying similar securities in case of securities having residual maturing below 31 days.

Similar security should be identified by the following waterfall logic, provided that the maturity date of the security is within the same calendar quarter and should have a residual maturity up to 30 days:

1. Same issuer and same type of asset, with maturity date withing ±7 calendar days of maturity date of security shall be considered first and should have a residual maturity upto 30 days. If no such instance is available, then Step 2 will be followed.

Example: For Punjab National Bank CD maturing on March 6, 2025, all secondary market trades of Punjab National Bank CDs, maturing withing February 27, 2025 to March 13, 2025 will be considered first.

2. Similar security from different issuer within the same category (PSU Bank, Private Bank or Financial Institution etc.) and similar long term credit rating**, with maturity date within ± 7 calendar days of maturity date of security will be considered and should have a residual maturity up to 30 days.

Example: For Punjab National Bank CD maturity on March 6, 2025, all secondary market trades of similar public sector bank CDs, maturing within February 27, 2025 to March 15, 2025 will be considered first.

** In case of Bank CDs –

- ❖ Issuer of the securities having long term rating of AAA and/or AA+ and short -term rating of A1+ will be considered as comparable.
- ❖ Issuer of the securities having long term rating of AA and/or AA- and short-term rating of A1+ will be considered as comparable.
- ❖ Issuer of the securities having long term rating of A+ and below and short-term rating of A1+ will be considered as comparable.

For the purpose of determining similar securities, the date available on “Rating rationale report” will be used as the source for credit ratings. Further, the classifications of the issuers for similar securities will be into three sectors viz., Banking, Manufacturing and Non-Banking Finance Companies (NBFC). Bank CDs will be compared against bank CDs (withing bank CDs, PSU Bank CDs will be compared to PSU Bank CDs and private/foreign bank CDs will be compared with private/foreign bank CDs) Manufacturing papers will be compared against similar manufacturing papers and NBFC will compare against NBFC.

Further, for the purpose of identification of similar securities, in case of security embedded with ‘put and call’ option, only those securities with ‘put and call’ option on the same day and the same ‘put and call’ option price shall be deemed to mature on such put/call date. All other securities with a ‘put and call’ option no meeting these criteria would have the final maturity date of the security considered for the purpose of identification of similar securities.

Notes:

1. Outlier trades, if any will be ignored after recording suitable justification.
2. If due to the non-availability of traded securities, at the time of the IST, the above mentioned criteria cannot be fulfilled, the IST would be done at the previous day's price/yield.
3. * Public Platform refers to F-TRAC/ Corporate Bond Reporting Platform (CBRICS)/ Indian Corporate Debt Market (ICDM) / Negotiated Dealing System – Order Management (NDS-OM)/MSE FIRST: for corporate bonds/debentures, commercial paper, certificate of deposits and securitized debt (Applicable only for pricing of IST and not for valuation).
Order of preference of public platforms for Bonds will be as follows:
(i) CBRICS; (ii) ICDM and (iii) MSE First
4. Weighted average yield shall be rounded up to two digits after decimal point.

Annexure B

Valuation Policy – Waterfall Mechanism

Part A -Valuation of Money Market and Debt Securities other than G-Secs

Para 10.2.3 of SEBI master circular has laid down broad principles for waterfall approach to be followed for valuation of debt, money market and government securities. The said circular prescribes AMFI shall ensure valuation agencies have a documented waterfall approach for valuation of Debt & money market securities.

The AMFI best practices guidelines circular (135/BP/83/2019-20) dated November 18, 2019 provided guidelines on waterfall approach to be followed for valuation money market and debt securities.

(1) <u>Waterfall Mechanism for valuation of money market and debt securities:</u>

The following shall be the broad sequence of the waterfall for valuation of money market and debt securities:
(a) Volume Weighted Average Yield (VWAY) of primary reissuances of the same ISIN (whether through book building or fixed price) and secondary trades in the same ISIN.
(b) VWAY of primary issuances through book building of same issuer, similar maturity (Refer Note 1below).
(c) VWAY of secondary trades of same issuer, similar maturity.
(d) VWAY of primary issuances through fixed price auction of same issuer, similar maturity.
(e) VWAY of primary issuances through book building of similar issuer, similar maturity (Refer Note 1below).
(f) VWAY of secondary trades of similar issuer, similar maturity.
(g) VWAY of primary issuance through fixed price auction of similar issuer, similar maturity.
(h) Construction of matrix (polling may also be used for matrix construction)
(i) In case of exceptional circumstances, polling for security level valuation (Refer Note 2 below)

Note 1

Except for primary issuance through book building, polling shall be conducted to identify outlier trades. However, in case of any issuance through book building which is less than INR 100 Cr, polling shall be conducted to identify outlier trades.

Note 2

Some examples of exceptional circumstance would be stale spreads, any event/news in particular sector/issuer, rating changes, high volatility, corporate action or such other event as may be considered by valuation agencies. Here stale

spreads are defined as spreads of issuer which were not reviewed/updated through trades/primary/polls in same or similar security/issuers of same/similar maturities in waterfall approach in last 6 months.
Further, the exact details and reasons for the exceptional circumstances which led to polling shall be documented and reported to AMCs. Further, a record of all such instances shall be maintained by AMCs and shall be subject to verification during SEBI inspections.

Note 3

All trades on stock exchanges and trades reported on trade reporting platforms till end of trade reporting time (excluding Inter-scheme transfers) should be considered for valuation on that day.

Note 4

It is understood that there are certain exceptional events, occurrence of which during market hours may lead to significant change in the yield of the debt securities. Hence, such exceptional events need to be factored in while calculating the price of the securities. Thus, for the purpose of calculation of VWAY of trades and identification of outliers, on the day of such exceptional events, rather than considering whole day trades, only those trades shall be considered which have occurred post the event (on the same day).

The following events would be considered exceptional events:

i. Monetary I Credit Policy
ii. Union Budget
iii. Government Borrowing I Auction Days
iv. Material Statements on Sovereign Rating
v. Issuer or Sector Specific events which have a material impact on yields
vi. Central Government Election Days
vii. Quarter end days

In addition to the above, valuation agencies may determine any other event as an exceptional event. All exceptional events along-with valuation carried out on such dates shall be documented with adequate justification.

2. Definition of tenure buckets for Similar Maturity

When a trade in the same ISIN has not taken place, reference should be taken to trades of either the same issuer or a similar issuer, where the residual tenure matches the tenure of the bond to be priced. However, as it may not be possible to match the exact tenure, it is proposed that tenure buckets are created and trades falling within such similar maturity be used as per table below.

Residual Tenure of Bond to be priced	Criteria for similar maturity
Upto 1 month	Calendar weekly Bucket
Greater than 1 month to 3 months	Calendar fortnightly bucket
Greater than 3 months to 1 year	Calendar monthly bucket
Greater than 1 year to 3 years	Calendar quarterly bucket
Greater than 3 years	Calendar half-yearly or Greater bucket

In addition to the above:

a. In case of market events, or to account for specific market nuances, valuation agencies may be permitted to vary the bucket in which the trade is matched or to split buckets to finer time periods as necessary. Such changes shall be auditable. Some examples of market events I nuances include cases where traded yields for securities with residual tenure of less than 90 days and more than 90 days are markedly different even though both may fall within the same maturity bucket, similarly for less than 30 days and more than 30 days or cases where yields for the last week v/s second last week of certain months such as calendar quarter ends can differ.

b. In the case of illiquid/ semi liquid bonds, it is proposed that traded spreads be permitted to be used for longer maturity buckets (1year and above). However, the yield should be adjusted to account for steepness of the yield curve across maturities.

c. The changes I deviations mentioned in clauses a and b, above, should be documented, along with the detailed rationale for the same. Process for making any such deviations shall also be recorded. Such records shall be preserved for verification.

3. **Process for determination of similar issuer**

Valuation agencies shall determine similar issuers using one or a combination of the following criteria. Similar issuer does not always refer to issuers which trade at same yields but may carry spreads amongst themselves & move in tandem or they are sensitive to specific market factor/s hence warrant review of spreads when such factors are triggered.

i. Issuers within same sector/industry and/or
ii. Issuers within same rating band and/or
iii. Issuers with same parent/ within same group and/or
iv. Issuers with debt securities having same guarantors and/or
v. Issuers with securities having similar terms like Loan Against Shares (LAS)/ Loan Against Property (LAP).

The above criteria are stated as principles and the final determination on criteria, and whether in combination or isolation shall be determined by the valuation agencies. The criteria used for such determination should be documented along with the detailed rationale for the same in each instance. Such records shall be preserved for verification. Similar issuers which trade at same level or replicate each other's movements are used in waterfall approach for valuations. However, similar issuer may also be used just to trigger the review of spreads for other securities in the similar issuer category basis the trade/news/action in any security/ies within the similar issuer group.

4.Recognition of trades and outlier criteria

1.***Volume criteria for recognition of trades (marketable lot)***

Paragraph 10.2.3 of SEBI master circular on Valuation of money market and debt securities, prescribes that the marketable lots shall be defined by AMFI, in consultation with SEBI.
In this regard, marketable lot is defined as under.
The following volume criteria shall be used for recognition of trades by valuation agencies:

Parameter	Minimum Volume Criteria for marketable lot
Primary	INR 25 cr. for both Bonds/NCD/CP/CD and other money market instruments

Secondary	INR 25 cr. for CP/ CD, T-Bills and other money market instruments
Secondary	INR 5 Cr for Bonds/NCD/G-secs

Trades not meeting the minimum volume criteria i.e. the marketable lot criteria as stated above shall be ignored.

ii. ***Outlier Criteria***

It is critical to identify and disregard trades which are aberrations, do not reflect market levels and may potentially lead to mispricing of a security or group of securities. Hence, the following broad principles would be followed by valuation agencies for determining outlier criteria.

a. Outlier trades shall be classified on the basis of liquidity buckets (Liquid, Semi-liquid, and Illiquid). Price discovery for liquid issuers is generally easier than that of illiquid issuers and hence a tighter pricing band as compared to illiquid issuers would be appropriate.

b. The outlier trades shall be determined basis the yield movement of the trade, over and above the yield movement of the matrix. Relative movement ensures that general market movements are accounted for in determining trades that are outliers. Hence, relative movement over and above benchmark movement shall be used to identify outlier trades.

c. Potential outlier trades which are identified through objective criteria defined above will be validated through polling from market participants. Potential outlier trades that are not validated through polling shall be ignored for the purpose of valuation.

d. The following criteria shall be used by valuation agencies in determining Outlier Trades

Liquidity Classification	Bps Criteria (yield movement over Previous Day yield after accounting for yield movement for matrix)		
	Upto 15 days	15-30 days	Greater than 30days
Liquid	30 bps	20 bps	10 bps
Semi-Liquid	45 bps	35 bps	20 bps
Illiquid	70 bps	50 bps	35 bps

The above criteria shall be followed consistently and would be subject to review on a periodic basis by valuation agencies and any change would be carried in consultation with AMFI.

a. In order to ensure uniform process in determination of outlier trades the criteria for liquidity classification shall be as detailed below.

Liquidity classification criteria - liquid, semi-Liquid and Illiquid definition

Valuation agencies shall use standard criteria for classifying trades as Liquid, Semi-Liquid and illiquid basis the following two criteria.

a. Trading Volume

b. Spread over reference yield

Such criteria shall be reviewed on periodic basis in consultation with AMFI.

Trading Volume (Traded days) based criteria:

Number of unique days an issuer trades in the secondary market or issues a new security in the primary market in a calendar quarter

• Liquid >=50% of trade days

• Semi liquid
• Illiquid
>=10% to 50% trade days
<10% of trade days

Spread based criteria:

Spread over the matrix shall be computed and based on thresholds defined, issuers shall be classified as liquid, semi liquid and illiquid. For bonds thresholds are defined as up to 15 bps for liquid; >15-75 bps for semi-liquid; > 75 bps for illiquid. (Here, spread is computed as average spread of issuer over AAA Public Sector Undertakings/Financial Institutions/Banks matrix),

For CP/ CD- up to 25 bps for liquid; >25- 50 bps for semiliquid; >50 bps for illiquid. (Here, spread is computed as average spread of issuer over A1+/AAA CD Bank matrix).
The thresholds shall be periodically reviewed and updated having regard to the market.
The best classification (liquid being the best) from the above two criteria (trading volume and spread based) shall be considered as the final liquidity classification of the issuer. The above classification shall be carried out separately for money market instruments (CP/ CDs) and bonds.

5. Process for Construction of Matrix

Valuation agencies shall follow the below process in terms of calculating spreads and constructing the matrix:

Steps	Detailed Process
Step 1	Segmentation of corporates the entire corporate sector is first categorised across following four sectors i.e. all the corporates will be catalogued under one of the below mentioned bucket: 1. Public Sector Undertakings/Financial Institutions/Banks; 2. Non-Banking Finance Companies -except Housing Finance Companies; 3. Housing Finance Companies; 4. Other Corporates
Step 2	Representative issuers – For the aforesaid 4 sectors, representative issuers (Benchmark Issuers) shall be chosen by the valuation agencies for only higher rating {I.e. "AAA" or AA+). Benchmark/Representative Issuers will be identified basis high liquidity, availability across tenure in AAA/AA+ category and having lower credit/liquidity premium. Benchmark Issuers can be single or multiple for each sector. It may not be possible to find representative issuers in the lower rated segments, however in case of any change in spread in a particular rating segment, the spreads in lower rated segments should be suitably adjusted to reflect the market conditions. In this respect, in case spreads over benchmark are widening at a better rated segment, then adjustments should be made across lower rated segments, such that compression of spreads is not seen at any step. For instance, if there is widening of spread of AA segment over the AAA benchmark, then there should not be any

	compression in spreads between AA and A rated segment and so on.
Step 3	**Calculation of benchmark curve and calculation of spread** – 1. Yield curve to be calculated for representative issuers for each sector for maturities ranging from 1month till 20 years and above. 2. Waterfall approach as defined in Part A (1) above will be used for construction of yield curve of each sector. 3. In the event of no data related to trades/primary issuances in the securities of the representative issuer is available, polling shall be conducted from market participants 4. Yield curve for Representative Issuers will be created on daily basis for all 4 sectors. All other issuers will be pegged to the respective benchmark issuers depending on the sector, parentage and characteristics. Spread over the benchmark curve for each security is computed using latest available. trades/primaries/polls for respective maturity bucket over the Benchmark Issuer. 5. Spreads will be carried forward in case no data points in terms of trades/primaries/polls are available for any issuer and respective benchmark movement will be given.
Step 4	1. The principles of VWAY, outlier trades and exceptional events shall be applicable while constructing the benchmark curve on the basis of trades/primary issuances. 2. In case of rating downgrade/credit event/change in liquidity or any other material event in Representative Issuers, new Representative Issuers will be identified. Also, in case there are two credit ratings, the lower rating to be considered. 3. Residual tenure of the securities of representative issuers shall be used for construction of yield curve.

Part B: Valuation of G-Secs (T-Bill, Cash management bills, G-Sec and SDL)

The following is the waterfall mechanism for valuation of Government securities:

• VWAY of last one hour, subject to outlier validation
• VWAY for the day (including a two quote, not wider than 5 bps on NDSOM), subject to outlier validation
• Two quotes, not wider than 5 bps on NDSOM, subject to outlier validation
• Carry forward of spreads over the benchmark
• Polling etc.

Note:

1. VWAY shall be computed from trades which meet the marketable lot criteria stated in Part A of these Guidelines.
2. Outlier criteria: Any trade deviating by more than+/- 5 bps post factoring the movement of benchmark security shall be identified as outlier. Such outlier shall be validated through polling for inclusion in valuations. If the trades are not validated, such trades shall be ignored.

Annexure C

Valuation of AT-1 and Tier II Bonds issued under Basel III framework.

I. Deemed Residual Maturity Bonds

The Deemed Residual Maturity for the purpose of valuation as Macaulay Duration for existing as well new perpetual bonds issued:

Time Period	Deemed Residual Maturity (Years)
March 31, 2023 onwards	100

The Macaulay Duration is proposed to be calculated as under the Tier II Bonds:

Time Period	Deemed Residual Maturity for all securities (Years)
April 01, 2022 onwards	Actual Maturity

1. If the issuer does not exercise call option for any ISIN, then maturity of bonds to be considered as 100 years from the date of issuance of the AT-1 Bonds and contractual maturity of Tier II – Bonds for all the ISINs of the said issuer.
2. If the non-exercise of call option is due to financial stress or in case of adverse news, the same must be reflected in the valuation.

II. Guidelines for Valuation

1. Form two types of ISINs:

a) Benchmark ISINs (a non-benchmark ISIN can be linked to only one benchmark ISIN. Currently, SBI ISINs happen to be the benchmark ISINs across all maturities of AT-1 Bonds).

b) Non-benchmark ISINs. (will be divided into multiple groups based on similar issuer and similar maturity).

c) The groups will be decided in consultation with valuation agencies. The two main criteria envisaged to be used here would be Tier 1/ Tier 2 ratings of the ISINs/Issuers, and the spread range in which the group of ISINs/Issuer's trade over the benchmark.

2. Take a look back period for trade recognition w.e.f October 1, 2021, as under

a) 7 (Previously 15) working days for benchmark ISINs

b) 15 (Previously 30) working days for non-benchmark ISINs

Note 1

a) If the ISIN gets traded, the traded YTM will be taken for the purpose of valuation.

b) IF 1 ISIN of the issuer trades, all other ISINs of issuers will be considered as traded but with necessary adjustment of spread to YTM.

c) IF none of the ISIN of the issuer get trade, the trade of similar issuer in the group will be taken for valuation. However, with necessary adjustment of spread to YTM of similar issuer similar maturity. IF none of the ISIN in a group gets traded on any particular day, an actual trade in a look back period will be seen.

d) If there is an actual trade in look back period, the security will be considered as traded and valued with necessary adjustment of spread to YTM. According to this valuation will be done based on the trade of issuer, trade of another issuer and as an additional layer a look back period of is requested. It is confirmed the spread over YTM will be taken without any adjustment of modified duration to call.

Note 2

As the valuation is based on trade during the look back period, it is confirmed that a spread will be adjusted to reflect adverse news, change in credit rating, interest rate

etc., which has bearing on the yield of ISIN being valued.

Note 3

If there is no actual trade of any ISIN of the issuer as well as similar issuer during look back period also, then valuation will be done by taking spread over matrix and/or polling in line with the water mechanism prescribed by AMFI.

Note 4

AT-1 and Tier 2 Bonds being different categories of bonds, the valuation of these bonds will be done separately. i.e. ISIN of AT-1 bond traded will not mean that ISIN of Tier -2 bonds of the same issuer have also been traded. However, if any issuer does not exercise call option for any ISIN, then the valuation and calculation of Macaulay Duration should be done considering maturity of 100 years from the date of issuance for AT-1 Bonds and Contractual Maturity for Tier 2 bonds, for all ISINs of the issuer.

CRISIL/ICRA DISCLAIMER - By using the valuation contained in this document, the user acknowledges and accepts that the valuations are provided severally (and not jointly) by the service providers and are subject to the following disclaimers and exclusion of liability which operate severally to the benefit of the relevant service provider and AMFI. The valuation uses the methodology discussed by the service providers with the Association of Mutual Funds of India (AMFI) and reflects the service providers' assessment as to the value of the relevant securities as at the date of the valuation. This is an indicative value of the relevant securities on the valuation date and can be different from the actual realizable value of the securities. The valuation is based on the information provided or arranged by or on behalf of the asset management company concerned (AMC) or obtained by the service providers from sources they consider reliable. Neither AMFI nor the service providers guarantee the completeness or accuracy of the information on which the valuation is based. The user of the valuations takes the full responsibility for any decisions made on the basis of the valuations. Neither AMFI nor the service providers accept any liability (and each of them expressly excludes all liability) for any such decision or use.

Mutual Fund investments are subject to market risks, read all scheme-related documents carefully.